

**MINUTES OF SPECIAL MEETING  
OPEN SESSION  
ILLINOIS GAMING BOARD  
NOVEMBER 25, 2008  
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Tuesday, November 25, 2008 a Special Meeting of the Illinois Gaming Board ("Board") was held in the conference room of the Gaming Board Offices on the 3<sup>rd</sup> floor at 160 N. LaSalle, Chicago, Illinois.

On Tuesday, November 25, 2008 at approximately 8:30 a.m. the following Board Members were present: Chairman Aaron Jaffe, Members Charles Gardner, Eugene Winkler, James Sullivan and Joseph Moore.

At 8:40 a.m. on Tuesday, November 18, 2008, Member Gardner called the meeting to order. Pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

- 1. Pending Litigation and matters involving probable litigation;**
- 2. Investigations concerning applicants and licensees;**
- 3. Personnel matters; and**
- 4. Closed session minutes.**

Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote. The Board remained in Closed Session until approximately 8:55 a.m.. The Board went into open session at 9:00 a.m.

**OWNER LICENSEE ITEMS**

Items for Final Action –

- Harrah's Operating Company, Inc. – Request to Approve Proposed Exchange Offer Refinancing Transaction (If Waiver of Two-Meeting Rule Approved)

Martha Sabol addressed the Board stating that this transaction is a private exchange offer.

Based on staff's investigation and recommendation and pursuant to section 230(d) of the Adopted Rules Member Gardner moved to **approve Harrah's Operating Company's (HOC) Proposed Exchange Offer Refinancing Transaction in which HOC proposes to exchange HOC unsecured notes for new HOC secured notes and cash.**

**This transaction is subject to the condition that Southern Illinois Riverboat Casino Cruises and Harrah's Casino Cruises Joliet, the two Harrah's Illinois licensees, are not involved in the Exchange Offer and will not be required to guaranty the debt or pledge their ownership licenses as part of the Exchange Offer.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

Chairman Jaffe announced that Midwest Gaming & Entertainment would make their presentation at 9:00 a.m.; followed by Trilliant Gaming immediately after, and Waukegan Gaming LLC at 1:30 p.m.

### **Midwest Gaming & Entertainment - 9:00 a.m. – 10:30 a.m.**

#### **Des Plaines, IL**

Charles Sklarsky – Legal Counsel

Neil G. Bluhm, Chairman initiated the presentation. Present for Midwest Gaming were the following:

Overview, Experience and Capability and Location	Neil Bluhm
Casino Development Plans	Greg Carlin
Economic Engine – Tax Revenues	Steve Rittvo
Revenue Sharing	Anthony Arredia – Mayor of Des Plaines, IL
Charitable Giving and Community Outreach	Leslie Bluhm
Workforce Development, Affirmative Action and Diversity	Joseph Williams

Mr. Bluhm narrated the Power Point presentation educating the Board and staff on all the key factors in their decision making process; location, experience, design plan, revenue and tax projections, revenue sharing, ownership structure, financing and charitable foundations. At the conclusion of the presentation the Board members questioned the finalist on some key points.

The Chairman stated that the initial bid was for \$200M, \$100 M to be paid up front and the second \$100 M to be paid over 10 years – the Chairman stated that the second half was based on contingencies the Board has no control over; how can the Board agree to that type of arrangement? Mr. Bluhm stated that the bid was structured to ensure success over the long term. The cost of financing and availability is very difficult in these difficult economic times to finance new projects.

Mr. Bluhm stated that the bid was structured upon financing approval, once Midwest is up and running, the up front bid is really a small part of the benefits in revenue that would come to the State. Just looking at dollars in round numbers, the State would make a couple hundred million dollars a year. Making billions of dollars from the proposal is the difference in the up front dollar amount of the bid. Mr. Bluhm stated that this should not be the only issue to decide the finalist. Long term projections should be considered, and not just how much money the initial

bid amount is, but the financing and the long term scope of the dollar amounts. The Chairman asked how the Board can make a decision for Midwest when the Board has no control over the contingencies. Mr. Bluhm stated that the contingencies were put in on the annual payment because there are issues that Midwest had no control over if laws or taxes change, increased revenue will go down and we must make sure we can service our debt. Mr. Bluhm asked that the Board consider all the factors and Midwest will consider the Board's concerns.

The Chairman asked about the traffic control between Devon and River Road. Mr. Rittvo of The Innovation Group, stated that there is no traffic concerns. River Road is lightly traveled. This is a two direction high-way. The Rosemont area is where the traffic concern should lie.

To deal with the traffic issues, employee shifts can be switched. In looking through traffic consultants' reviews, the ability to have multiple entrances is the key. Separate valet and self parking entrances, delivery entrance, rotation of show times, etc. This location has the best access.

Member Gardener commented that the location of Des Plaines is only a mile and a half away from Rosemont. Why is the license worth less than half to Midwest than to the Village of Rosemont. Mr. Bluhm stated that perhaps there was an oversight in Rosemont's figures; maybe a mistake was made. He stated that maybe the market was not studied well or the financing was not further looked into. Mr. Bluhm stated that he is very wise concerning the financial markets. Mr. Bluhm stated that the Des Plaines site revenue would be more productive than Rosemont. Mr. Bluhm stated that he knows little of the Rosemont site; other than the obvious, a great land lease and a garage that is already built.

Member Gardner stated that the twenty acre Des Plaines site will be developed one way or the other. Mr. Bluhm stated this is not true. Old buildings are not fully occupied. Not a lot of development presently, so Mr. Bluhm disagreed with Member Gardner's statement.

Member Moore commented about reclaiming cannibalization dollars from out of state. Des Plaines is actually capturing revenue from other Illinois casinos. Mr. Bluhm stated that most money would be recaptured from Indiana. For the Waukegan location 50% would be captured from GVC, from Hollywood and then from Wisconsin. The Des Plaines market would draw from Wisconsin and Indiana. There would be no cannibalization. Midwest would compete with the Horseshoe Casino in Indiana and recapture the revenue lost to them.

Member Winkler asked Mr. Carlin about the health benefits and pensions offered to the employees. Mr. Carlin stated that the plans; although not complete; are comparable to other casinos. In Pennsylvania, Midwest matches the 401K up to 4%. Health benefits are offered to full and part time employees with part time employees paying premiums at a discount rate. Member Winkler asked whether there was experience with labor unions. Mr. Carlin replied that Canada has no labor unions; and in Pennsylvania just the security guards are unionized. Midwest properties are not familiar with unions. Member Winkler stated it is fair to assume that there is no experience with labor unions. Mr. Carlin replied that this is true.

Chief Counsel Fries asked Mr. Bluhm to explain what is his definition of a top flight General Manager? Mr. Bluhm stated that Mr. Carlin would go into more detail.

Mr. Fries also asked about “Due Diligence” – Mr. Carlin stated that in Pennsylvania the gaming control board does the investigation and staff works well with them.

Mr. Carlin addressed the area of a General Manager, he stated that in today’s economy they are finding a large pool of candidates who are extremely qualified in this area. No decision has been made as to who they would select.

Member Moore asked how the charitable contributions are funded. Mr. Carlin stated that the foundations are very profitable and encourage employees to volunteer. Mr. Carlin went on to explain an event that was held at their Mississippi casino for Breast Cancer. Member Moore also asked about the diversity numbers for the work force. Mr. Carlin stated that in Mississippi 75% of the staff is diversified. Ontario is a little different due to the geographic area, the senior management team is diversified in Ontario.

Administrator Ostrowski asked if any candidates have been identified for the General Manager position and Mr. Carlin stated that several candidates are being considered but not yet identified.

At 10:30 A.M. the presentation concluded and Chairman Jaffe suggested a 10-minute break.

### **Trilliant Gaming – 10:45 a.m. – 12:00 p.m.**

#### **Rosemont, IL**

Cid Froelich and Paul Jensen - Counsel to Trilliant

Alex Yemenidjian – Chairman and CEO

Joe Billhimer – President

Karen Sock – Senior Vice President and General Manager of Casino

Benjamin Mammina – Executive Vice President, Planning and Development

Michael Burke – Vice President of Security

Timothy Duncanson – Director

Melody Spann Cooper – Director

Gerald W. Schwartz – Director

Avis LaVelle – Public Relations

Bill Morris – Financial

Alan Pendergast – Financial

Cid Froelich addressed the Board and introduced Alex Yemenidjian.

Mr. Yemenidjian is the Chairman and CEO of Trilliant Gaming. He provided the Board with a presentation that provided information such as the location; experience in the casino industry; the casino design program and plan; revenue and tax projections; revenue sharing; the charitable contributions; ownership; structure and financing. Mr. Yemenidjian referenced the numerous

hotels and upscale restaurants that surround the site where the casino would be built. Mr. Yemenidjian stated that the demographic area is well suited for a casino.

Rosemont Mayor Bradley Stephens addressed the Board and assured them that Rosemont will not be involved with Trilliant Gaming, Rosemont is the location alone. No Rosemont employee or family member will be able to be employed by Trilliant. Nor will any vendor who deals with Rosemont be permitted to have contracts with Trilliant Gaming. Rosemont will be a host community, never to be involved with any of the operations of Trilliant Gaming. No employee or public official will be permitted to gamble in the facility. Rosemont will relinquish 100% of the gaming tax revenue and admission fees from the casino. It will be disbursed to the communities in the original agreement. Rosemont will receive no direct benefit from the casino; the benefit will be the flow of people into the hotels, restaurants and theaters in the Village.

Once Trilliant Gaming's presentation was complete, the Chairman and Board proceeded to question the speakers.

Chairman Jaffe asked about the three agreements with Rosemont that Trilliant has, first referencing the land and parking building; who are the owners? Mr. Yemenidjian stated that the seller is the Village of Rosemont.

The Chairman asked about the price of the garage and land; Mr. Yemenidjian stated that the purchase price for the garage is \$28M and for the land is \$5.5M.

The Chairman stated that in the bankruptcy proceeding the garage was valued at around \$49M; Mayor Stephens stated that there are lease agreements with the theaters and a hotel.

The Chairman asked about the Agreement with Village for municipal services. Mr. Yemenidjian stated that the agreement is to provide electricity, police, etc which is usually provided to the citizens of a community. Mayor Stephens added that employees of Rosemont will be prohibited from being employed by Trilliant. The Chairman asked about the Village Police Department. Mayor Stephens stated that the department is cross trained for police and fire, with a total of 80 full time officers. Chairman Jaffe asked if police services will be provided to the casino, Mayor Stephens indicated that outside of the facility police services would be provided. There are 400 part time auxiliary police officers which are for traffic control only. Chairman Jaffe asked if there would be a reason for the Rosemont Police to be on Trilliant Gaming property. Mayor Stephens stated only in the capacity as a private citizen not in official capacity. Chairman Jaffe asked if a crime is committed would Rosemont police have a right to be on casino property. Mayor Stephens stated that only if casino security chose for them to be there. Chairman Jaffe asked Mayor Stephens if the Village would be willing to turn over Village police response calls and contract with them with the State Police. Legal Counsel Cid Froelich stated that the Village police will have no arrest authority unless casino staff requests assistance as at any other casino. Chairman Jaffe again asked that if necessary would the Village contract with State Police in order to take care of the Trilliant property. Mayor Stephens said the Village would do whatever is necessary.

Michael Burke VP of security addressed the Chairman's concerns. Mr. Burke stated that the issue is common in all jurisdictions. If a crime occurs outside the casino grounds the local police tend to it. Gaming crimes, if any, are the jurisdiction of gaming board agents. In every case involving criminal activity that needs to be reported to gaming board agents on site.

Member Gardner asked with the available land that will be present after construction do you have plans for further expansion. Mr. Yemenidjian stated that there are plans for expansion at a later date for a restaurant row. The construction of restaurants will not interfere with the view from the toll road.

Member Winkler asked Ms. Sock if there would be health and pension benefits for employees and if Ms. Sock had an experience with labor unions. Ms. Sock stated that she did work with unions in Mississippi; the property was unionized and she had a good relationship with the unions. Ms. Sock stated that as far as benefits are concerned, she would do an assessment of health care providers in Illinois and look into which is best for the employees; full and part time. A comprehensive package will be put together for the employees.

Member Gardner asked whether a pension package would be available to the employees and Ms. Sock stated that a 401K plan would be in place. Member Gardner asked if there would be participation from the employer and Ms. Sock stated most definitely.

Chief Counsel Fries asked Mr. Yemenidjian about the due diligence that was conducted by his firm and how would he address Attorney General Madigan's concerns about Rosemont; Mr. Yemenidjian stated that an extensive due diligence was conducted and none of the facts that caused concerns before are present today. The facts apply to different people at a different time.

Chairman Jaffe asked if Trilliant would be willing to make its due diligence available to the Gaming Board. Mr. Yemenidjian stated that the due diligence reports will be made available within 48 hours.

Mayor Stephens stated that a semi-annual check of vendors would be made available to Trilliant so that the list would be up to date.

At 12:00 Member Winkler moved that the Board reconvene into closed session and Member Sullivan seconded the motion.

### **Waukegan Gaming LLC 1:40 p.m. – 2:45 p.m.**

#### **Waukegan, ILL**

Roll call was taken and the open session meeting reconvened at 1:40 p.m.

John Janicik – Legal Counsel

Ed Duffy	Waukegan Gaming, LLC
Jeff Parr	Waukegan Gaming, LLC
Lester McKeever	Waukegan Gaming, LLC

Michael Pollock  
Mayor Richard Hyde  
Robin Schabes

Spectrum Gaming Group  
City of Waukegan  
City of Waukegan

Mr. Duffy provided the Board with history on the project.

Waukegan Gaming, LLC provided the Board with a presentation that provided information such as history, location of the proposed project; the economic needs of the proposed location; ownership structure; statistics regarding the City of Waukegan reflecting that it is an economically depressed area; statistics reflecting how a casino in the City of Waukegan would benefit other communities as well as the State of Illinois; Code of Commitment and Diversity Statement and the expectations of the project.

Chairman Jaffe commented that William Cellini was part of Waukegan's investment group and understands that he no longer is; what was his amount of interest? Mr. Duffy stated that Mr. Cellini's interest terminated 18 months ago; he held a 4 or 5% interest in the gaming company and another party bought out his interest for \$35,000.00.

Chairman Jaffe asked Mr. Duffy if the search has begun for a General Manager. Mr. Duffy stated that there are many qualified people out there and if Waukegan Gaming won the license staff would go forward with the interviews and hire as many citizens from Illinois that they could.

Member Gardner stated that earlier in the week the Board and staff received notice that like the other two bidders, Waukegan would be sharing local tax revenue back to the developer, Member Gardner asked if that meant that Waukegan Gaming would increase their bid. Mr. Duffy stated that is hard to say at this point; that was before the markets crashed even further. Member Gardner stated he hoped that meant there would be more available money and that they would increase their bid, since the arrangement was not made previously. Member Gardner also asked that Mr. Duffy clarify Social investment percentages. Mr. Duffy stated that the minimum donation would be \$500,000 in first year versus 1% of net income, whichever is greater, 2% in 3<sup>rd</sup> year, 3% in 5<sup>th</sup> year, 5% in 9<sup>th</sup> year and 5% every year thereafter.

Member Winkler stated that in the presentation it was suggested that the foundation board be members of the community, how will Waukegan Gaming make sure this is accomplished? Mr. Duffy stated that in East St. Louis at the Casino Queen recommendations were taken from the mayor and city counsel; we will follow the same with the addition of members from several churches or social services.

Member Moore stated that the Board will hold Waukegan Gaming to their social investment strategy and there are some opportunities and challenges. Member Winkler stated that the Social Investment Strategy was an excellent plan. Member Moore went on to ask what the commitment was to hire women and men and women of color into senior management positions. Mr. Duffy replied that Waukegan Gaming believes that the level of diversity goes from ownership, construction, employees, vendors and every aspect of the business. The reason the General Manager was not chosen yet is due to the fact that Waukegan is looking for people with

minority backgrounds. Waukegan wants to reflect the neighborhood in the staff and management team.

Member Gardner stated that Waukegan's budget for the development of the property is substantially less than the other two bidders, and Waukegan is building a 150 room hotel in the plans, how is this going to be a quality facility? Mr. Duffy replied that Waukegan Gaming knows what they are doing, they did this before, and this will be a first class competitive casino. Member Gardner asked that Mr. Duffy clarify for the record that the casino is on water, Mr. Duffy replied yes it will sit on a moat.

Chief Counsel Fries asked how Waukegan will comply with the minority requirements of the Act. Mr. Duffy stated that as of the present Mr. McKeever has been in contact with a group that will purchase 10 – 11% of project, others submitted applications for another 3% and inquiries have been made of 15% to date.

### **ADJOURNMENT -**

At 2:45 p.m. Member Winkler motioned to adjourn while Member Gardner seconded the motion. All Members voted in favor to adjourn.

Respectfully submitted,

Mary C. Boruta  
Secretary to the Administrator